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INDUSTRIAL COMBINES AND NATIONAL PROGRESS

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Preliminary to the discussion of any phase of industrial combination it is expedient to take a comprehensive glance at world-wide social and economic conditions. Humanity at large is in a ferment of social and economic unrest. While this turbulence assumes different phases and expresses itself by different methods in the several countries of the world, it is practically the same in purpose everywhere.

In view of these widely prevalent conditions, it behooves the seeker for causes and remedies to find, if possible, some compelling motive of universal prevalence to account for this phenomenal state of affairs. This, in my judgment, is not a difficult task, for if observation guided by the teachings of experience is to be trusted, the world is now moved by one of those waves of spontaneous impulse that occur from time to time to lift the race to a new plane of achievement and new heights of realization. This impulse is no less than an epoch-making aspiration for equality, that is stirring the hearts and quickening the lives of mankind. This is true, irrespective of the fact that the people, in many cases, fail to interpret their own emotion in terms of this sentiment. The overthrow of the kingdom of Portugal; the humiliation of the House of Lords and the aggrandizement of the Commons in the British Parliament; the increase of Socialism in Germany, France, Spain, and elsewhere, are but so many different expressions of this all-prevailing aspiration. But to the student of social and economic conditions, the overthrow of despotism in poor old moribund China and the awakening of the people of that decadent empire to demand a republican form of government, is the most amazing and impressive of all the world-wide expressions of this spontaneous yearning.

In our own country, as was to be expected of a people so virile and resourceful, this aspiration assumes many aggressive phases. Among these may be enumerated the acute differences between capi-

tal and labor; the demand for the initiative and referendum; and the sporadic demand for that more radical measure, the recall. Again, the clamor for publicity and the prevailing hostility to large corporations give forceful utterance to the same feeling.

The crusade against the industrial combine, while not the most important, is the most spectacular expression of this impulse, because it so readily lends itself to purposes of political expediency.

The industrial combine is the product of evolution and not the creature of invention, as is widely though erroneously supposed. According to popular understanding, industrial combines sprang full-fledged into existence at the command of some colossus of commerce, solely to serve selfish ends and predatory purposes. The truth of the matter is that, as a rule, they did not have their origin in voluntary initiative at all, but were ushered into existence by conditions beyond the control of those whose properties were merged to form the combines.

In the drift from primary pursuits to manufacturing industries that occurred during the late eighties and the nineties, manufacturing establishments in nearly all departments of industry multiplied at such a rapid rate that the domestic markets to which our manufactures were then largely restricted were incapable of consuming the output. Competition became so intense as to jeopardize capital invested. Indeed, disaster and bankruptcy among industrial ventures became widely prevalent. Confronted with this state of affairs, people having funds so invested sought eagerly for some avenue of escape from calamity, and "any harbor in the storm" became the slogan of the industrial chieftains at that time.

Unrestricted competition had been tried out to a conclusion, with the result that the industrial fabric of the nation was confronted with an almost tragic condition of impending bankruptcy. Unrestricted competition had proven a deceptive mirage, and its victims were struggling on every hand to find some means of escape from the perils of their environment. In this trying situation, it was perfectly natural that the idea of rational co-operation in lieu of cut-throat competition should suggest itself.

Many men of affairs at the outset did not take kindly to the idea of the industrial combines, for several reasons. One of the most potent of these was the personal equation that entered into the calculation. Individualism is a striking characteristic of the American

business man. The large industrial enterprises of the country, as they existed prior to the time of the combine, were the product of the genius and enterprise of a few individuals. That is to say, in almost every case where a large industry had been built up it was the result of the foresight, skill and constructive ability of one or two persons. These individuals were animated by a degree of pride of achievement that is perhaps incomprehensible to those who did not come in personal contact with them. They each felt a paternal pride in the industry which their genius had developed. The idea of relinquishing individual control by merging with others and becoming merely one of the directing minds of the greater industry was in many cases abhorrent. So strong was this motive with many that the formation of some of the combines that ultimately came into existence was postponed for years; indeed, postponed in some cases until the death of one or more of the founders of a great industry made it possible for his heirs, who were less inspired by considerations of pride of achievement, to recognize true conditions, and from motives of self-preservation merge the enterprise with others of like character, not for predatory purposes, but for what they considered to be discreet, honorable and legitimate business ends. This briefly, but correctly, is the story of the origin, in a great many cases at least, of the industrial combines.

The combine having been successfully formed, the question of administration immediately presented itself for solution. It was natural that the most capable of all the men connected with the various enterprises entering into the combine should be sought out for leadership, and here the so-called "captain of industry" made his appearance. He has been held up to the scorn of the world as the embodiment of greed, the essence of graft and a demon of boundless rapacity.

The simple truth of the matter is that the so-called captain of industry in nearly every case came up from the ranks of the plain people. He is bone of their bone and flesh of their flesh. His ambition to achieve worthily was the inspiration of a wholesome environment in the modest or lowly American home and American school in which his early years were spent. Instead of conniving at wreck and ruin, his thoughts were altogether occupied with constructive policies. He found himself in a new and untried field, with vast responsibilities upon his shoulders and endless ramifications of detail to handle.

He had been taught from childhood that diligence in business was a praiseworthy quality and he applied the precept rigorously. He had been taught that it was prudent to keep one's own counsels in business affairs, and he therefore did not take the public into his confidence. His reticence was construed as impertinence and his silent zeal in the prosecution of his plans into malignant designs against the welfare of the populace.

Success in the management of these great combines inspired self-confidence on the part of their administrative heads, which in turn stimulated attempts at successively greater and greater achievements. It also seemed to confirm the correctness of their attitude in ignoring what seemed to be unwarranted curiosity on the part of the public, whose welfare they felt they were subserving and whose suspicions they regarded as unfounded. So the breach between the preoccupied combine heads and the general public widened. Both its prevalence and its intensity were underestimated, if at all considered, by the busy men who were working industrial wonders. They were human, and made mistakes.

It must be remembered that these captains of industry were explorers, so to speak, in an untrodden wilderness of human endeavor. They were compelled to devise methods and invent instrumentalities with which to push their enterprises beyond the existing limitations of commercial achievement.

In a material wilderness there are neither highways nor signposts to guide the explorer. So in the unexplored realms of industry into which modern combinations have pushed their undertakings, there were, in some cases, no well-defined laws to guide their activities, and say, "Thus far shalt thou come, and no farther."

What was to be done in such cases? Was enterprise to pause, endeavor to cease, and courage to be dismayed from lack of a statutory chart? The toilers who make progress possible in human affairs are made of sterner stuff. Where there are no laws and where, in the very nature of the case, there can be no laws defining the limitations of endeavor, they become a law unto themselves and leave to the future and to the calm impartial judgment of their fellowmen, expressed through legislation and the courts, ratification or rejection, confirmation or modification of their methods so as to make them conformable to the best interests of society.

In this connection, it is pertinent to remark that law **always**

lags behind material progress. This is necessarily so, for there can be no law to govern a condition until the condition has arisen. For example, there could be no law regulating the operation of automobiles until there were automobiles to operate. Nevertheless, the absence of law prescribing the limitations of endeavor in new departures in manufacturing and merchandising as they relate to public welfare, is one of the most serious handicaps with which pioneers in the field of industrial expansion have to contend. It injects an element of uncertainty into the most carefully laid plans, and out of this uncertainty grave embarrassments and costly delays have occurred, and expensive not to say revolutionary modifications of methods may be imposed.

In our country opportunity is so inviting, the field so vast, the resources so boundless, and the rewards under favorable conditions so rich, that our business men have devoted their lives to material enterprise with a consuming zeal and contagious enthusiasm that spurn all obstacles. Manufacturing plants of imposing magnitude and amazing diversity of product spring up everywhere. Inventive genius, inspired and spurred by the fascination of achievement, supplies instrumentalities for greater and ever greater material conquest. The automobile, the wireless telegraph, the aeroplane, and like inventions come along in such quick consecutive order as to fire the imagination and stimulate seemingly superhuman accomplishments. Railroads with their tentacles of steel enmesh the plain, the valley, the mountain and the morass, and together with electricity make a contiguous neighborhood of the people of a continent.

Are men, under the spell of these accomplishments, in any frame of mind to cease endeavor, while lawyers and courts haggle over the interpretation of a federal statute? Would it be human, under such circumstances, for them to stop short in contemplation of the effects of possible legislation? As well expect a general to stop a winning battle, to contemplate the effects of his potential victory on posterity, as to expect this.

The courts cannot anticipate or forestall legislative action in their decisions, and hence the business interests of the country have been floundering in a sea of uncertainty for years, because of the tardiness or inefficiency of our legislative bodies.

An impressive object lesson is thus presented of the dependence of material progress upon the will of the people, expressed through law as interpreted by the courts. On the one hand, the businessmen of the

country stand ready with complete equipment, definite aims, consummate skill and abundant means to set in motion the machinery of progress that makes for prosperity. On the other hand, we have confusion worse confounded among the law-makers. Discordant views prevail among those high in the counsels of our legislative bodies, and little progress is being made in the solution of our great problems. Indeed, it would seem that little patriotic effort is being made in that direction. The industrial welfare of the nation is for the time being a mere pawn in the political game, and, apparently, is made principally to serve purposes of partisan expediency. There have been few times in our history when the need of constructive statesmanship was so imperative as now.

But whatever vicissitudes of legislation may await the industrial combine, it is here to stay. It was born of necessity and will remain through merit. It is, so to speak, a clearing house of utilities wherein apparently unrelated instrumentalities are so co-ordinated in a general scheme that each facilitates to the utmost the harmonious and efficient working of all the others. It is, therefore, an instrumentality for betterment that the public will not forego. Indeed, we hear little or no complaint against the combine as a means of progress. The people are not offended at the multiplication of comforts and conveniences through the agency of the combine. The complaint is against its hitherto secret methods, its uncanny magnitude, the few vast fortunes that it has brought to individuals, and, above all, the alleged wrongs that it has done. That there have been occasional abuses of power and that flagrant wrongs have been committed are known facts. Albeit these are not peculiar to industrial combines, yet they can neither be condoned nor justified. In some cases, possibly, wrongs have been perpetrated for which there are no extenuating circumstances, and in such cases condemnation cannot be too outspoken or punishment too severe. But because ideal conditions are not realized in statecraft, education and law we do not abolish government, schools and courts. We strive to eliminate the imperfect and the evil and to perpetuate and perfect the useful.

So must we do with the combine. The imperfections and abuses incident to its rapid development must be sternly rebuked and their continuance made a hazard so great as to forestall their repetition, while its power for good should be safeguarded and perfected in the interests of progress and for the benefit of the people. How this may

best be accomplished is one of the most perplexing questions of the hour. Under all the circumstances, some kind of adequate government supervision is both necessary and desirable. Many expedients have been proposed, but most of them bring the matter within the pale of political influence, which is abhorrent.

All things considered, I believe that a non-partisan federal commission composed exclusively of practical business men of broad experience is the best solution of the matter. Such a commission should be absolutely non-partisan and clothed with the same dignity and independence as is that revered body, the Supreme Court of the United States, which challenges the admiration and confidence of every good citizen for its wisdom, impartiality and fearless consecration to the discharge of its important duties.

I want to say, however, that it will be difficult to get business men of the proper equipment to compose such a commission. Our most capable, experienced and efficient business men are indispensable to the industries over which they preside. Furthermore, they are under certain obligations to vast numbers of stockholders to continue as the directing minds of these enterprises, and hence it would be almost impossible for them to assume such duties, however important. In addition, the loss to the country of their directing abilities along industrial lines would probably more than offset the good that they would accomplish in giving up everything for such purpose. But if we must have governmental supervision, by all means let us have it through a non-partisan commission of practical business men of the best available material.

Contribution of Combination to National Progress

Prior to the formation of industrial combines our exports of manufactures were inconsiderable. But the capital and equipment of these combinations enabled them to give a great impetus to our export trade in manufactured products. Our exports of manufactured commodities during the year 1911 more than quintupled similar exports during the year 1890, and nearly doubled like exports during the year 1900. The value of our exports during the year 1911 increased more than one hundred and forty millions of dollars over like exports during the year 1910, and the increase of that year exceeded the total exports of finished manufactured commodities during the year 1890. Our manufacturing industries in the year

1909 consumed materials costing in the aggregate \$12,141,000,000 and turned out products which were valued at \$20,672,000,000. The value added by manufacturing processes was \$8,530,000,000, while in 1899 the cost of materials was \$6,575,000,000 and the value of the product was \$11,406,000,000, showing added value of only \$4,831,000,000, which comparison shows an increase of seventy-seven per cent in added value in the decade.

The aggregate outlay for wages in the manufacturing industries of the United States increased from \$2,008,000,000 in 1899 to \$3,427,000,000 in 1909, an increase of about seventy per cent, while the number of wage earners increased only about forty per cent.

Under the methods of the combine the wild fluctuations to which both wages and commodities were formerly subjected are largely eliminated; the market for raw materials is more stable and regular; labor is more steadily employed and at better wages, and commodities reach the consumer in fresher and more satisfactory condition.

The combine has so standardized commodities by brands as to minimize the carrying charges of both the wholesale and retail dealers. The trade on these standardized brands is so normal and regular as to enable the dealer to keep standing orders with the manufacturer or producer for his supplies, so that the goods flow into stock and out again in a steady stream without the necessity of incurring heavy carrying charges on excessive or speculative stocks. Furthermore, the guarantee of the producing combine is behind most of the goods so standardized, consequently the heavy losses that dealers once suffered from accumulations of unsalable odds and ends of unstandardized articles of merchandise are almost entirely eliminated.

The combines are charged with many sins of omission and commission, while little has been said about their industry and constructive activities. These are innumerable and cover a wide range of endeavor. They gather up raw materials from every quarter of the globe, and in our factories convert them into manufactured commodities which are distributed partly at home and partly throughout the world.

The organizations of some of the combines for distributing their wares to the uttermost ends of the earth are amazing in their ramifications and completeness. They embrace the dense populations of India and China; the torrid regions of Africa, Burma and Siam; the bleak steppes of Mongolia and the frozen plains of Siberia; the fast-

nesses of the Andes and the solitude of the Himalayas—wherever there are human beings, however remote, through some channel and by some means certain American commodities find their way and contribute to the comfort and convenience of the people.

In this manner money from the whole world is gleaned and transmuted into American value to pay American labor at American wages and to build up American commerce. This surely is no trivial achievement. To devise and successfully to operate so comprehensive a system of distribution, involving the use of every conceivable mode of transportation by land and water; the bartering with people of all degrees of intelligence from savant to savage, speaking all languages and having every conceivable kind of currency, is a triumph of merchandising skill and daring that would seem to deserve respect. It would seem to deserve the encouragement of approving recognition rather than the odium of indiscriminate condemnation. It is an achievement that was impossible before the advent of the combine, because of lack of capital and adequate facilities. Our country needs more—not less—of such enterprises. Surely the minds that conceive and execute such world-embracing achievements in merchandising have something useful and legitimate to think about—something other than the crushing of their fellowman under the remorseless tyranny of greed and avarice.